

Affordable Housing Transformational Task Force
Recommendations Report



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Developed by the
**Affordable Housing Transformational Task
Force and Subpanel**

with Support by:



**Wellstone
Collaborative
Strategies**

Task Force leadership: Representative Dylan Roberts (Chair 2), Representative Dominique Jackson (Chair 1), Senator Julie Gonzales (Vice Chair)

Subpanel leadership: Brian Rossbert (Chair, Housing Colorado) and Cathy Alderman (Vice Chair, Colorado Coalition for the Homeless)

Legislative Council Staff support: Jeanette Chapman and April Bernard

Wellstone Collaborative Strategies consulting team: Jacob Bornstein, Katherine Archuleta, Erik Arndt, and Meagan Picard

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Transmittal Letter

[text of letter – to be drafted by Roberts and Gonzales]

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Executive Summary

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Introduction

In March of 2021, the federal government enacted the “American Rescue Plan Act of 2021” (ARPA) to provide support to state, local, and tribal governments in responding to the impact of COVID-19 and to assist them in their efforts to contain the effects of COVID-19 on their communities, residents, and businesses. During the 2021 legislative session, the Colorado General Assembly adopted House Bill 21-1329, concerning the use of money the state receives from ARPA to make investments in housing to assist persons disproportionately impacted by the COVID-19 public health emergency facing housing insecurity. On June 28, 2021, the Executive Committee of the Legislative Council passed a resolution to form the Affordable Housing Transformational Task Force and Subpanel, which met during the 2021 interim to develop and submit recommendations to the General Assembly and the Governor on policies to create transformational change in the area of housing using money the state receives from ARPA.

In order to develop recommendations, a Task Force was formed, made up of a bipartisan cohort of legislators from both chambers of the Colorado General Assembly and six executive agency directors. A Subpanel of diverse housing experts was appointed to develop draft recommendations for the Task Force to consider. At the outset of the process, the Task Force and Subpanel identified that recommendations should respond to the COVID-19 public health emergency and its negative economic impacts with programs and/or services that address housing insecurity, lack of affordable housing, and/or homelessness, and benefit populations, households, or geographic areas disproportionately impacted by the COVID-19 public health emergency.

The following report lays out the resulting recommendations and the process used to achieve consensus minus from the Task Force. The Introduction provides an overview of the agreed upon guidance for developing recommendations, as well as the foundational framework upon which this process operated. The following section provides a summary of the final set of funding recommendations agreed upon by the Task Force, guidance for administering agencies, and a record of policy recommendations that were discussed. In the final section, the process of developing and finalizing recommendations is described in detail, including the roles and coordination between the Task Force and Subpanel, and the process of receiving public feedback via the public input survey and public testimony. Finally, the appendices provide additional detail on items not fully included in the main body of the report.

Guidance on Establishing Recommendations

At the first hearing of the Task Force, members agreed on guidance to the Subpanel to be used to establish recommendations. The Task Force directed that funding and policy proposals should meet the following guidance in priority order:

1. Are transformative for the long-term.

2. Address populations in need, especially those experiencing systemic disparities (e.g., redlining).
3. Are one-time funding proposals with no or very little out-year costs, or with a financing plan that doesn't increase the state's structural deficit (e.g., reallocating from less effective existing programs).
4. Leverage local, private, and federal dollars, including public-private partnerships.
5. Are evidence-based, and/or best practices in other states or with certain communities or partners.
6. Are community-based solutions informed by the uniqueness of that community.
7. Are culturally and linguistically competent.
8. Are consumer-driven, with a strong voice from those most impacted and involved in the affordable housing system.
9. Address the full continuum of affordable housing supports, from prevention to high intensity.
10. Fill the gaps in services, policies, and programs.
11. Are innovative and flexible, when appropriate.

Members of the Task Force also defined transformational change, its top priority, as follows (and in no specific order):

- **Builds Wealth:** Ensures anyone can access housing where they need it, and that they aren't pushed out of current housing due to increasing property values or other market pressures, creating the opportunity to build intergenerational wealth.
- **Revitalizes Housing Stock:** Increases housing supply across all price points, especially workforce, transit-oriented, extremely low-income, and middle-income housing, and invest in the preservation of existing housing.
- **Be Affordable:** Ensures that anyone can access housing for less than 30% of their household income.
- **Be Sustainable:** Ensures that housing development is balanced with the preservation of Colorado's natural landscapes, and that new housing is constructed to be energy efficient or zero energy to reduce or eliminate utility expenses.
- **Overcomes Disparities, Especially Systemic:** Reconfigure housing to undo historic racism, including redlining, low appraisal rates, subprime loans, predatory practices, etc. to ensure that marginalized identities no longer suffer the most for affordable housing.
- **Removes Obstacles:** Does away with unnecessary regulatory barriers (parking requirements, occupancy limits, exclusionary zoning, etc.) to both development of and access to affordable housing, especially near jobs or transit.

- **Addresses Homelessness Quickly:** Provides simple access to intentional, statewide resources to quickly and effectively get people experiencing homelessness housed.
- **Be Integrated with Other Systems:** Creates a system in which housing is integrated with funding and other systems to rapidly re-house people, and with behavioral health and other wrap around services to continue to support them once housed.

Foundational Framework

Once the guidance was developed, a foundational framework was adopted by the Task Force and Subpanel to focus the recommendations. This foundational framework A) defines affordable housing in the context of their work, B) identifies gaps contributing to Colorado’s housing crisis, and C) outlines four strategic priority areas and establishes a vision statement. Furthermore, ARPA Guardrails were used to ensure the recommendations fit within the federal act. The foundational framework deliberations ultimately led to the set of recommendations approved by the Task Force.

A. Definition of Affordable Housing

The following definition outlines the major facets of affordable housing:

A consideration of the term “affordable housing,” must include an evaluation of the **full continuum of housing needs** for all people, including those experiencing homelessness, those seeking attainable, accessible, and stable rental housing, and those entering home ownership for the first time. While certain programs and/or funding sources are tied directly to defined standards of affordability, the Subpanel recommended that, to the extent possible, a guiding definition of affordable housing for new programs, services, and developments with the ARPA funds should recognize that affordability is tied to people and not to the market. **People should not have to spend more than 30% of their income on housing costs**, inclusive of rent or mortgage and utilities. When affordability must be tied directly to AMI because of program or funding requirements, it should be **responsive to the unique characteristics of that community** (i.e., is it a resort community? Do AMI standards adequately address the workforce? Are there considerations for populations on fixed incomes?). Affordability should also include a sustainability and stability component to **ensure that long-term affordability** can be achieved for both rental and home-ownership opportunities.

To generate this definition of affordable housing in the context of this work, Subpanel members were asked to respond to the question: “What does affordable housing mean to you?” The responses and discussion led to the above definition and adoption by the Subpanel and Task Force.

B. Identified Gaps

Four important areas in which ARPA funds could make a transformative impact were identified. Current state, local, and national data sources should be used to define the following gaps in Colorado's affordable housing crisis:

- Gaps in supply for both rental and home ownership units by income groups.
- Gaps in funding sources for housing development opportunities.
- Gaps in infrastructure needs, the labor market, and supply needs for development.
- Gaps in systems that, with reform and support, could more effectively connect people to housing opportunities.

Similar to above, these gaps were identified by asking Subpanel members the question: "Where are the biggest gaps?"

C. Strategic Priorities

Early on, the Subpanel discussed what an ideal future state of affordable housing could look like in Colorado, and strategies and mechanisms that could be used to manifest that future state. The ideas generated through this discussion coalesced around four strategic priority areas, which the Subpanel and Task Force used to develop and categorize recommendations.

Expand Capacity

- Increase access to flexible capital sources and other funding mechanisms that incentivize innovation and reduce costs.
- Align critical infrastructure investments with housing investments.
- Increase new supply of traditional and nontraditional affordable housing units (rental and ownership).
- Align subsidies and vouchers with unit development whenever possible.
- Purchase land and property to secure for future development.
- Expand capacity through system changes/regulatory framework.
- Evaluate and secure additional sources for funding for ongoing capacity investment.

Stabilize Existing Affordable Housing

- Keep people housed through investments in emergency rental assistance and mortgage programs to be available long-term.
- Enhance market stability by purchasing and preserving existing affordable housing supply (rental and ownership).
- Invest in housing interventions that are specifically tailored to the population being served including seniors, people living with disabilities, and households with other distinct needs.
- Use policies/covenants and other tools to ensure long-term affordability.
- Implement strategies to reduce the impacts of involuntary displacement.

Strengthen the Safety Net

- Invest in solutions to address housing insecurity and instability to prevent people from entering the cycle of homelessness.
- Invest in transition planning and services for people exiting certain institutions (systems shouldn't be able to discharge people into homelessness).
- Invest in homelessness resolution for those who are experiencing it today with flexible vouchers, alternative or transitional housing, and long-term supportive housing options.
- Reduce the long-term detrimental effects of homelessness on people and communities through enhanced integration with other safety net systems and ongoing supportive services policies and funding.

Ensure Equity and Access

- Prioritize historically and disproportionately affected households and communities for investment.
- Invest in statewide housing assessment and long-term, ongoing strategy to evaluate and respond to housing inequities.
- Promote equitable access to homeownership and rental housing that account for transportation, climate, and other community needs through:
 - Inclusionary policies.
 - Innovative and creative tools for affordable, accessible homeownership, including loans.
 - Land trusts and land-banking, economic co-ops, protection of renter/tenants.
 - Expansion of flexible rental vouchers and subsidies.
 - Reduced barriers to access for resources, housing, and subsidies.

In addition to the four above priorities, the Task Force adopted a foundational statement to highlight the interconnection between priority areas and to identify an ideal future state of housing in Colorado:

Access to affordable, safe, and attainable housing for all, via rental or home ownership, in order to prevent homelessness and housing instability and allow all community members to thrive. When homelessness and housing instability are unavoidable, ensure there are systems in place to make the experience rare, one-time, brief, and quickly resolvable. Solutions to be proposed to the Affordable Housing Transformational Task Force, and ultimately the General Assembly, will be policy or funding oriented.

American Rescue Plan Act of 2021 Guardrails

The following guidelines provided by the Office of Legislative Legal Services were used during this process concerning 1) The permissible uses of money allocated to the state for housing purposes under ARPA; and 2) Whether ARPA or its accompanying regulations provide any specificity as to the populations, households, or geographic areas disproportionately impacted by the COVID-19 public health emergency.

- 1) The federal money received by the state must be broadly used to build stronger communities through investments in housing and neighborhoods to assist those

disproportionately affected by COVID. Such eligible uses encompass programs or services that alleviate the immediate economic impact of COVID on housing insecurity, as well as programs or services that address conditions that contributed to poor public health and economic outcomes during the pandemic, namely concentrated areas with limited economic opportunity and inadequate or poor-quality housing.

- 2) The ARPA Regulations make clear that the effects of the pandemic have most severely fallen upon low-income communities, people of color, and Tribal communities and, therefore, those are the persons disproportionately impacted by COVID. As low-income communities, people of color, and Tribal communities are concentrated in certain qualified census tracts (QCTs), the ARPA Regulations specify a presumption that certain types of services, are eligible uses of ARPA funds when provided in a QCT to families and individuals living in a QCT, or when those services are provided by Tribal governments. These services may also be provided to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately impacted communities, a recipient of ARPA funds must be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served.

Recommendations

The following funding recommendations and allocations were ultimately adopted by consensus minus one, including broad bipartisan support from the Task Force during their meeting on December 8, 2021. Funding recommendations incorporate proposals submitted by the Subpanel and from the Governor’s Budget Proposals related to affordable housing; Guidelines for funding distribution and policy recommendations were developed by the Subpanel and adopted in this report by vote of the Task Force.

Summary of Funding Recommendations

All funding recommendations recognize that if funds are not used at the necessary rate that such funds should revert to DOH’s Housing Development Grant Line or to other funding mechanisms where utilization is high and funds are needed by a certain date. Appropriate funding mechanism (loan or grant) is to be determined by the administering agency pursuant to program requirements. However, funds should be allocated to both loan and grant lines to account for projects with targeted populations, type of project, and type of organization requesting funds.

Funding Recommendation	Low End	High End
<p>Revolving Loan Fund: New and Existing Capacity This includes aspects of the following recommendations appropriate for loans:</p> <ul style="list-style-type: none"> • Gap Financing to Align with Expansion of Tax Credit and Other Funding Programs (5-7.5%) • Maintain Existing Affordable Housing (4.5-6.5%) • Governor’s Office Proposal: Green Energy for AH 	<p>\$150M (37.5%)</p>	<p>\$222M (55.5%)</p>
<p>Nonprofit and Local Government Grants This includes aspects of the following recommendations appropriate for grants:</p> <ul style="list-style-type: none"> • Gap Financing to Align with Expansion of Tax Credit and Other Funding Programs (5-7.5%) • Maintain Existing Affordable Housing (4.5-6.5%) • Sustainable Rental Assistance (4-6%) • Governor’s Office Proposal: Strong Communities • Governor’s Office Proposal: Green Energy for AH 	<p>\$150M (37.5%)</p>	<p>\$222M (55.5%)</p>
<p>Resident Owned Communities, Mobile Home Parks, and Land-Banking</p>	<p>\$35M (8.75%)</p>	<p>\$51M (12.75%)</p>
<p>Property Conversion for Transitional or Long-Term Housing The Task Force expressed support for this recommendation but removed funding with the expectation that the Behavioral Health</p>	<p>\$0M (0%)</p>	<p>\$0M (0%)</p>

Transformational Task Force and the Task Force on Economic Recovery and Relief Cash Fund will provide \$254M of funding.		
Permanent Supportive Housing and Supportive Services Fund The Task Force expressed support for this recommendation, but removed funding with the expectation that the Behavioral Health Transformational Task Force and the Task Force on Economic Recovery and Relief Cash Fund will provide \$254M of funding.	\$0M (0%)	\$0M (0%)
Modular Housing In combination with Governor’s Office Proposal: Innovative Housing Incentive Program	\$40M (10%)	\$48M (12%)
CHFA Missing Middle Access Program (Governor’s Office Proposal)	\$25M (6.25%)	\$25M (6.25%)
Totals	\$400M (100%)	\$568M (142%)

Table 1: Summary of recommendations and allocation amounts approved by the Task Force. Low-end funding allocations indicate the total amount of ARPA funding available for recommendation by the Task Force, and High-end funding allocations indicate an “up to” amount to allow for administering agency flexibility in funding prioritization and disbursement.

Detailed Funding Recommendations

Revolving Loan Fund

Develop or fund flexible low interest, below market revolving loan funds to support increases in new developments, preservation and rehabilitation of existing housing, property conversions, and non-traditional housing capacity in diverse geographic communities where the economic impact of COVID has significantly impacted housing affordability and availability. This includes development of new affordable housing units or the purchase of existing affordable housing units, either rental housing or for-sale homes, including mixed-income developments. Interest rates should be below market and not exceed those necessary to meaningfully further affordable housing development or preservation in local communities across the state. Funds should be available for a variety of uses needed locally or regionally, such as to:

- Develop and integrate infrastructure and offset construction and predevelopment costs.
- Provide gap funding for housing development projects with a particular focus on 4% LIHTC transactions, including the ability to purchase existing affordable housing and multi-family structures, particularly in communities where efforts have been made to encourage affordable housing development.
- Maintain existing affordable housing via funding for preservation, restoration through rehabilitation, retrofitting, renovation, capital improvements/repairs of current affordable housing stock, including Section 8 and public housing for

populations/households disproportionately impacted by COVID with commitments for long-term affordability. This should include investments for:

- Seniors to age in place.
 - Remediation of low-quality/condemned properties.
 - Housing specifically designed for people living with disabilities.
 - Weatherization and energy improvements to multi-family and single-family residences to maintain/improve quality of affordable homes/rentals.
 - Purchase and transition of current housing stock, including properties currently in use as short term rentals, into affordable housing.
 - Programs or initiatives to ensure existing housing remains affordable for local workforce or community households.
- Provide time-limited rental assistance for households disproportionately impacted by COVID and at risk of losing their home or in need of rapid re-housing, including funding for outreach and education efforts, and provide additional funds to the state's Eviction Legal Defense Fund given ongoing COVID-related evictions/renters' need.
 - Finance energy improvements in affordable housing, which will provide funding for incremental upfront costs for efficient, electric measures and renewable energy systems for both existing buildings and new housing construction.

These potential uses for ARPA funds are in alignment with the Governor's budget priority to invest in strong communities, including funding for local infill infrastructure needs to help support and catalyze affordable housing development and further Colorado's sustainable development patterns, provide community benefits, ensure multimodal connectivity, reduce greenhouse gas emissions, strengthen social and environmental equity, and improve quality of life and community resilience. Priority should be given to efforts to proactively reach out to properties nearing the end of both the affordability period and the compliance period to see if they are interested in selling. For both new projects and preservation projects, priority should be given to sustainable developments that are green, highly-energy efficient, and electric. Investments should align with other state economic development efforts. Efforts should be made to support innovative financing mechanisms that allow funds to revolve quickly for rapid re-use of funds for ongoing projects.

Funding Allocation: \$150-222M

Nonprofit and Local Government Grants

Direct, flexible, and timely grant funding to nonprofits and local governments that have or are pursuing measures to facilitate affordable housing development or purchase of land for and development of supportive, rental, and for-sale housing targeted at populations disproportionately impacted by COVID. Ensure flexibility of funding, including allowing for operating grants to community-based organizations and qualified local governments, particularly in small, rural, and mountain resort communities so they can best meet their own development needs. Also allow for grants to community-based organizations for housing navigation/rehousing support, timely deployment of assistance, and technical assistance. Funds should be available for a variety of uses needed locally or regionally, such as to:

- Develop and integrate infrastructure.
- Provide gap funding for housing development projects with a particular focus on 4% LIHTC transactions, including the ability to purchase existing affordable housing and multi-family structures, particularly in communities where efforts have been made to encourage affordable housing development.
- Maintain existing affordable housing via funding for preservation, restoration through rehabilitation, retrofitting, renovation, capital improvements/repairs of current affordable housing stock, including Section 8 and public housing for populations/households disproportionately impacted by COVID with commitments for long-term affordability. This should include investments for:
 - Seniors to age in place.
 - Remediation of low-quality/condemned properties.
 - Housing specifically designed for people living with disabilities.
 - Weatherization and energy improvements to multi-family and single-family residences to maintain/improve quality of affordable homes/rentals.
 - Purchase and transition of current housing stock, including properties currently in use as short term rentals, into affordable housing.
 - Programs or initiatives to ensure existing housing remains affordable for local workforce or community households.
- Provide time-limited rental assistance for households disproportionately impacted by COVID and at risk of losing their home or in need of rapid re-housing, including funding for outreach and education efforts, and provide additional funds to the state's Eviction Legal Defense Fund given ongoing COVID-related evictions/renters' need.
- Finance energy improvements in affordable housing, which will provide funding for incremental upfront costs for efficient, electric measures and renewable energy systems for both existing buildings and new housing construction.

Similar to HB21-1271 and HB 21-1117, structure funding criteria, especially for development grants, to encourage the use of local policies that allow for affordable housing to be developed and leverage local funding resources. When appropriate, such funds should be aligned with loan funds and priority given to projects that significantly leverage other funding or will be leveraged.

Final Allocation: \$150-222M

Resident Owned Communities, Mobile Home Parks, and Land-Banking

Direct grants and/or low interest loans for preservation of naturally occurring affordable housing and future development opportunities through land-banking, land trusts, and community-owned land opportunities prioritized for communities and populations disproportionately impacted by COVID. Invest in resident-owned community (ROC) infrastructure to facilitate the purchase by residents of properties that may be coming up for sale or whose deed restrictions might be coming due. This includes purchase by mobile homeowners or community or non-profit organizations under the Mobile Home Park Act in

order to prevent eviction and displacement, especially among communities disproportionately disadvantaged and impacted by COVID. Funding may also include rehabilitation of rental units in mobile home parks, to support underlying infrastructure, and capacity building for communities.

Final Allocation: \$35-51M

Property Conversion for Transitional or Long-Term Housing

Direct grant funding to quickly develop and build transitional housing for those leaving congregate settings (i.e., criminal justice, hospital, shelter, etc.) or fleeing dangerous home environments, for those who are experiencing homelessness with behavioral health needs, or to address local community housing needs for populations disproportionately impacted by COVID. This includes funding to rehabilitate under-utilized properties by increasing direct funding for acquisition/conversion of motels/hotels, underutilized government-owned property, commercial properties, or other land or property for immediate conversion into non-congregate shelter, transitional, or long-term housing with set-aside or matched funds for operations to quickly resolve homelessness and housing insecurity/instability throughout the state. This recommendation utilizes the authorization and funding mechanism created in SB21-242. Align funds with Behavioral Health Transformational Task Force funding to provide behavioral health and wraparound services if possible. This may include seed funding and grants for short-term rental assistance programs to help with operational costs.

Final Allocation: \$0¹

Permanent Supportive Housing and Supportive Services Fund

Direct grant funding for the development or creation of permanent supportive housing for individuals experiencing homelessness and those living with disabilities, including behavioral health disorders. Align funds with Behavioral Health Transformational Task Force funding to provide wraparound services. Invest in long-term supportive services funds for existing affordable housing programs that do not have tenancy support services funding to keep people stably housed.

Final Allocation: \$0¹

Modular Housing

In alignment with the Governor's budget priority to invest in housing innovation incentives, provide direct funding in combination with funding from the Economic Development Task Force and local government ARPA funds to attract, encourage, and support the implementation and construction of prefabricated housing (i.e., modular, 3-D printed, manufactured, kits, etc.)

¹ The Task Force expressed strong support for the recommendations for "Property Conversion for Transitional or Long-Term Housing" and "Permanent Supportive Housing and Supportive Services Fund," but didn't allocate specific dollar amounts with the expectation that the Behavioral Health Transformational Task Force and the Task Force on Economic Recovery and Relief Cash Fund will provide \$254M of funding for supportive services. Further, both of these priorities are eligible uses of the funds within the revolving loan and grant recommendation.

in diverse geographic areas of the state where communities have been disproportionately impacted by COVID and traditionally lacked access to affordable housing and housing resources. Support opportunities for sustainable, green, and highly energy efficient developments.

Final Allocation: \$40-48M

CHFA Missing Middle Access Program

Provide \$25M for Colorado Housing and Finance Authority's Middle-Income Access Program to fund an increased investment for missing middle, workforce housing.

Final Allocation: \$25M

Guidelines for Funding Distribution

The following guidelines for agencies administering ARPA funds were developed by the Subpanel and adopted by the Task Force. They acknowledged that all funding decisions made by the administering agencies of these funds in Colorado should be made pursuant to the most current federal regulations and guidelines promulgated by the US Department of Treasury, and that the following considerations are secondary to any federal guidance. Guidelines are organized to reflect the funding criteria with which the Subpanel evaluated each recommendation: funding flexibility, funding timeliness, ability to leverage other funds, and potential for equitable distribution. These do not reflect any order of prioritization.

Project Prioritization

Consistent with federal guidance, DOH, CHFA, and other administering agencies should give preference to projects and initiatives responsive to local priorities and needs, particularly those that:

- Ensure long-term affordability.
- Have sustainable energy impact of green build component.
- Are in geographically diverse communities that are actively working to reduce barriers to developing affordable housing (i.e., similar approaches as identified in HB21-1271).
- Have a measurable impact on workforce development.
- Are targeted to and/or have involved specific impacted populations identified in the Subpanel Funding Recommendations, federal regulations/guidance recognizing that all projects and initiatives must be responsive to communities disproportionately impacted by COVID.
- Seek to prevent involuntary displacement. *

Recommendations for Agencies to Help Ensure Flexibility

The Task Force and Subpanel identified flexibility of ARPA funds as critical to enable adaptability for local housing needs/conditions and to allow administering agencies additional discretion as they disburse funds.

- Ensure grant and loan applications are easy to access and use, straightforward, and streamlined.
- Allow for Area Median Income (AMI) flexibility in geographic areas where cost of living and income standards are not consistent with current AMI restrictions especially in rural and rural resort areas.
- Make/provide considerations for non-entitled communities and communities that have traditionally not had access to state funds. *
- Provide flexible capital resources beyond tax credit projects. *
- Avoid strict requirements for all projects (i.e., do not require high-density development or ADUs where not a necessity for communities that have more space).

Recommendations for Agencies to Ensure Timeliness of Funding

In addition to flexibility, the Task Force emphasized the importance of timely funding to address immediate housing needs produced or exacerbated by the COVID-19 public health emergency.

- Fast-track applications, contracting, and distribution of funds.
- Report out regularly on availability of funds, applications pending for funds, and anticipated recapture of funds.
- Provide funding to administering agency for capacity, staff, expertise, technical assistance, etc. *
- Provide direct funding instead of just gap financing and loan funds.
- Reduce partnership requirements depending on local community capacity and reduce need to engage in lengthy processes for receiving intergovernmental agreements.

Recommendations for Agencies to Ensure Leveraging

ARPA funds are one-time dollars, and to achieve the greatest transformation possible, the Task Force encouraged funds to be leveraged to the greatest extent possible, for instance via loan structures or through existing funding mechanisms, to maximize transformational change in Colorado.

- Administer loans and grants for specified programs through DOH and within current mechanisms.
- Administer loans beyond DOH programs/mechanisms through CHFA.
- Lend at low interest or below market loans (i.e., 0.5-1.0%).
- Educate borrowers and lenders on the process and timeline for recuperation of funds for re-use.
- Provide timely public reports of timeline for recapture of funds for organizations to plan for applying for funds.
- Ensure that all un-used funds revert to Housing Development Grant Line or other ARPA funding lines that are over-prescribed.

Recommendations to Ensure Equity

The Task Force identified equitable funding distribution as critical in order to effectively respond to the mandate of addressing disproportionate impacts from COVID-19.

- Prioritize/ensure development for populations most in need including those at risk of or experiencing housing insecurity or with historical barriers in accessing safe, quality housing.
- Ensure development is provided across the housing spectrum through AMI targeting and/or project targeting at specified project types for identified populations in need.
- Reduce barriers for organizations and households (i.e., use funds consistent with HB 1054).
- Identify non-traditional partners working with targeted populations.
- Invest in property that could be used for future development.
- Invest in targeted outreach and education to ensure resources reach and meaningfully engaged marginalized communities.
- Evaluate projects by geography. *
 - Per unit subsidies should align with community attributes and standards.
 - Consider impact of Short-Term Rental market on affordable housing.

Other Considerations

Finally, the following three considerations were identified as important but didn't fit into the previous criteria.

- Evaluate projects on intended outcomes and actual impact on communities and populations.
- Use funds to support recipient organizational capacity, staffing, and expertise to expend the funds quickly and efficiently.
- Set targets for how funds will be distributed and regularly report out on progress (i.e., for permanent supportive housing and 30% AMI and below rental, traditional/LIHTC rental and preservation, for property conversion and/or transitional housing, and for homeownership or rehabilitation).

Consensus Policy Recommendations

In addition to previously identified funding priorities and guidance, the Task Force adopted the following six policy recommendations that came from the Subpanel via a vote of consensus.

Expand the State Tax Credit Program: The housing tax credit program administered through CHFA is a well-utilized and a proven resource in supporting the development of affordable housing. Having more tools to expand affordable rental housing is critical, and we also need a similar tool to increase home ownership production.

Establish a Standing or Interim Committee or Task Force on Housing and Homelessness: Affordable housing will continue to be a critical issue in Colorado and merits specific focus

from the legislature. A standing body can ensure streamlining and evaluation of housing legislative initiatives and alignment with any goals and strategies identified by administrative agencies. Key members on such a committee should include legislators, agency and organization staff, local government representatives, and practitioners.

Provide Funding for the Division of Housing within the Department of Local Affairs to Update and Expand a Statewide Housing Needs Assessment: The intent of such an assessment is to incorporate and consolidate existing data resources and local needs assessments in support of HB21-1028. Once established, the Division should provide regular (e.g., annual) public reporting. Important data to come from a statewide needs assessment could include recent (e.g., past 5 years) affordable housing trends, amount and type(s) of affordable housing lost to the market, and existing gaps along the affordable housing continuum. The data could be provided in a dashboard and should align with housing production and preservation goals to demonstrate progress towards those goals. Support to local governments that have or are able to conduct a local housing needs assessment will: ensure existing datasets are up to date and fill data gaps for those local governments with current or in-process assessments; provide incentive to those without a current or in-process assessment; and allow funding for regional needs assessments where local governments indicate a desire to approach housing from this broader perspective.

Ensure Sustainable Funding for Supportive Services, and Integration with Affordable Housing: Fund the current and ongoing need for supportive services. Current state efforts are underway to align funds for supportive services, including an effort by the Behavioral Health Transformational Task Force for "bridge" funding support before the establishment of a long-term solution. Create an ongoing supportive services fund or funding mechanism in partnership with Division of Housing (DOH), the Office of Behavioral Health (OBH), and the Department of Health Care Policy and Finance (HCPF) for a full range of wraparound services and expanded provider types. Require DOH to fund supportive services until such time that a supportive services fund is created for new and existing affordable housing projects. Identify options to sustainably fund supportive services, including putting services "above the line" in operations budgets, and enabling housing providers to receive reimbursement for tenancy support services through sources other than limited housing funds.

----2 ITEMS BELOW TO BE DISCUSSED AT THE 1/6/22 AHTTF MEETING----

Address Short-Term Rentals: Short-term rentals (STRs) have exacerbated the affordable housing market in many Colorado communities, especially in mountain resort communities. Furthermore, STRs have stretched community infrastructure beyond what was originally intended with residential developments. Support and examine the work of the Legislative Oversight Committee Concerning Tax Policy and Task Force in developing data-driven recommendations for STRs.

Ensure Statewide Homelessness Prevention and Resolution: Develop a statewide strategy for homelessness prevention and resolution that is responsive to and takes into account unique local community needs. Provide sustainable funding for the Office of Homelessness Initiatives and community partners to assess, create, adopt, and implement a flexible state and local

government plan with identified goals to respond to individuals and families experiencing homelessness.

Additional Policy Ideas Discussed

The following issues and concerns were discussed by the Task Force and Subpanel, but did not reach consensus; they are included here as a record of those discussions.

---ASTERISK INDICATES A CHANGE TO BE DISCUSSED AT 1/6/22 AHTTF MEETING---

***Study of State and Local Factors Impacting the Development of Affordable Housing**

- Provide one-time funding for a study of state and local laws, ordinances, regulations, permitting practices, and fees that contribute to or impact the development of affordable housing. The study should identify both barriers and best practices in the development of affordable housing.
- The study should be a collaboration between state and local government entities, should take into consideration any currently available assessments or evaluations, and should include analysis on home-rule and state authority issues.
- The study must be sufficiently robust to provide the information necessary to consider well-informed action, avoid unintended consequences, and provide meaningful justification for state action on existing regulations.
- Support for such a study potentially reducing regulatory burden of building affordable housing was expressed. It could provide additional context for elected officials.
- Concerns were raised about whether such a study would provide meaningful data beyond that of a statewide needs assessment, how unique local nuance would be taken into account, and whether this would be an effective use of limited funds.

Statewide Contractor Licensing and Land Use Policy

- Consider statewide zoning incentive programs. The Subpanel was divided on whether local entities should be incentivized to eliminate single-family zoning limits.
- Consider a statewide contractor licensing program. No concerns were raised about a statewide contractor licensing program.
- Consider a statewide building code similar to requirements already instituted for modular housing. Concern was expressed about a statewide building code, and whether it could be effective at meeting local needs.
- Adopt a land use policy, like the 99-year ground lease, that ensures the affordable housing preserved or built today with state and federal dollars will always be a community asset.

First Right of Refusal (Renters and Nonprofits/Developers)

- Assess the feasibility of Tenant Opportunity to Purchase Act (TOPA) and Community Opportunity to Purchase Act (COPA) as a method to limit the loss of existing but expiring affordable housing to the market. Concern was expressed that the first right of

refusal could lower property values and/or discourage investor and lender buy-in. It was also mentioned that for existing agreements, this is shifting the grounds for which the owner agreed to.

Data and Systems Integration

- Design, develop, integrate, and sustain the state's public data infrastructure aimed at identifying and supporting needed investments; supporting interagency coordination; and, tracking the impact of the state's affordable housing programs.

Workforce

- Incentivize employers (via payroll tax credits or rebates) in diverse geographies to recruit and train skilled workers in housing related industries with intentional effort to provide training, recruitment, and utilization of diverse workers who are under-represented.
- Consider apprenticeship utilization requirements in conjunction with the State Apprenticeship Agency for qualified projects, with a goal of long-term workforce development.
- Coordinate with the Economic Development Task Force to meet workforce and affordable housing funding priorities.

***Construction Defect Laws**

- Recognize that Construction defect laws are an existing policy issue that many developers indicate adds to for-sale costs. Support any examination underway of existing Construction Defect laws to determine if more market-provided for-sale affordable housing opportunities exist while still providing consumer protections.
- *Concerns were raised about the balance between developer and consumer roles in construction defect laws, and whether to acknowledge this since other efforts are underway to address it.*

***Land Banking**

- Prioritize the use of land banking and land trust strategies for long-term affordable housing planning and development.
- Recognize the difference between land trusts and land banking - land banking is a longer-term strategy to ensure affordability.
- *Concern was raised about the lack of discussion time on this item.*

***Intergovernmental Agreements**

- Eliminate Intergovernmental Agreements (IGAs) unless they are a federal requirement, and eliminate "service area/territory" especially for DOH & CHFA funded projects, including weatherization.

The Process

The process of developing recommendations to create transformational change in Colorado's affordable housing sphere was designed to be deliberative, iterative, and transparent (Figure 1). Supported by Wellstone Collaborative Strategies facilitation team and Legislative Council Staff, the Task Force and Subpanel took a broad approach to understand and identify historic and current trends in affordable housing, the current state of the affordable housing crisis in Colorado and the exacerbating impacts of COVID-19, and what an ideal future state of affordable housing in the state might look like. This initially broad approach narrowed as the two bodies identified four key priority areas of focus, and began crafting recommendations that addressed the manifold challenges faced by Coloradans. Incorporating input from the public, and with multiple iterations passing between the Task Force and Subpanel, the recommendations became more refined, while still remaining flexible, concerning how the ARPA funds could best be spent, and what kinds of policies might be necessary to enable effective use of funds and to alleviate non-funding related housing issues. By the final meeting, the Subpanel and Task Force came to consensus-minus-one on all funding recommendations and allocations, guidance for administering agencies, and six additional policy concepts.

Colorado Affordable Housing Transformational Task Force

Process Summary

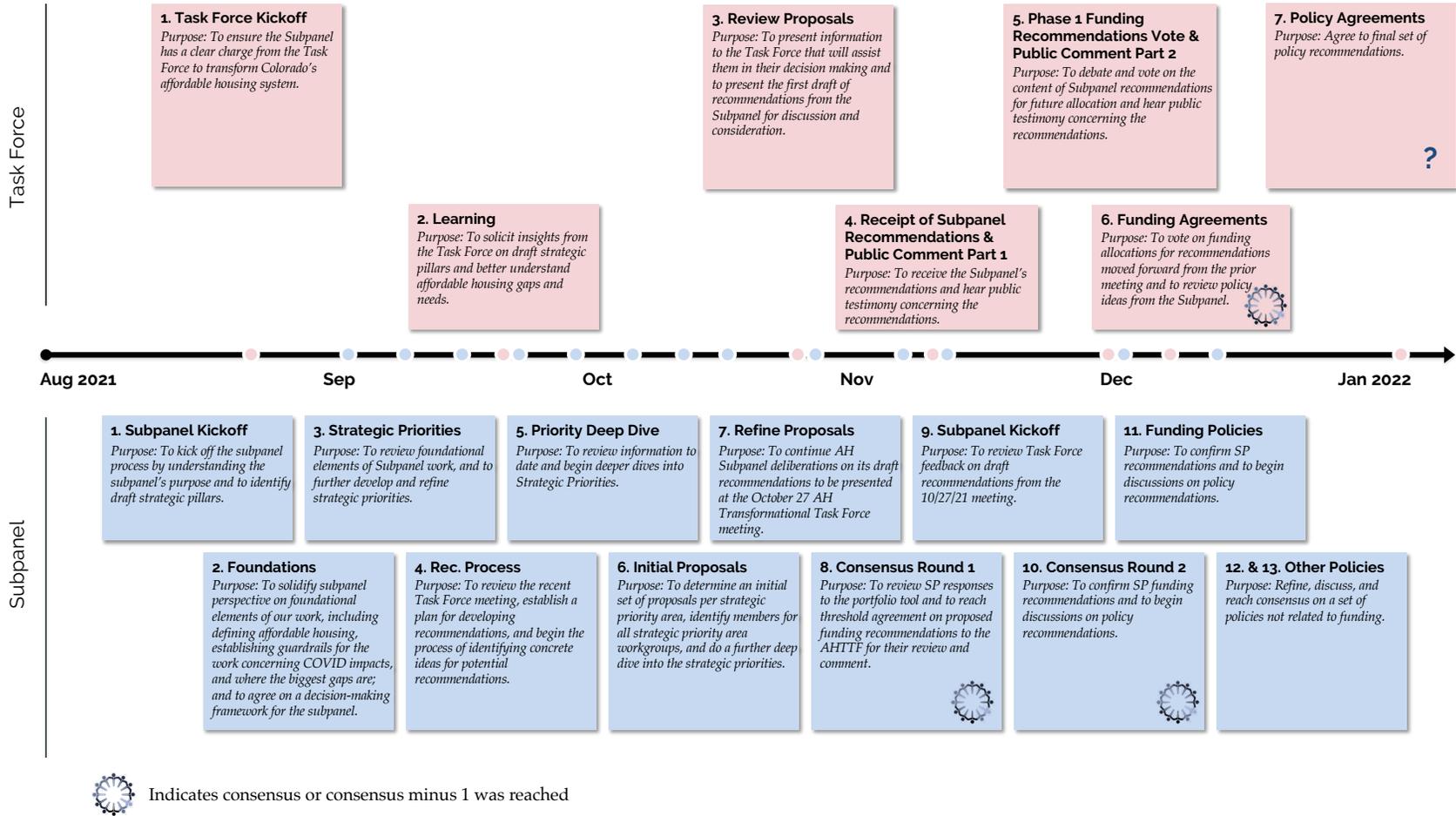


Figure 1: Summary timeline of the iterative process and coordination between the Task Force and Subpanel.

The Task Force

The Task Force was comprised of 16 members, including legislators from both parties sitting in the House and Senate, as well as six agency directors or their representatives (See Appendix XX for full list). They met seven times from August 19, 2021 to January 6, 2022 to deliberate and vote on the final set of recommendations included in this report. To achieve the final recommendations, the Task Force completed the following:

1. **Defined transformation and charged the Subpanel:** During their first meeting, Task Force members collaboratively identified what transformative change in affordable housing could look like in Colorado. Based on this definition, they drafted a charge to the Subpanel to guide their development of recommendations.
2. **Received learning presentations on the state of affordable housing:** Throughout the process, the Task Force received presentations from various state agencies including the Department of Local Affairs, DOLA's Division of Housing, Colorado Housing and Finance Authority, Colorado Energy Office, and the Office of Economic Development and International Trade. All presentations can be found on the [AHTTF legislative site](#).
3. **Adopted a foundational framework and provided feedback to the Subpanel on Priority Areas:** At their first joint meeting, the Task Force adopted the foundational framework developed by the Subpanel, including a definition of affordable housing, gaps in the system to be addressed, and guidelines related to the use of ARPA funds. In addition, Task Force and Subpanel members collaboratively refined the four Priority Areas.
4. **Considered input from the public input survey:** The Task Force was presented with the results of the public input survey to consider in the context of the four priority areas.
5. **Deliberated on the first draft recommendations from the Subpanel:** The Subpanel Chair and Vice Chair, with support from various Subpanel members, presented each funding recommendation to the Task Force for their consideration, including the full text of the recommendation, average recommended funding ranges, and the extent to which each addressed the four priority areas and four additional criteria (potential for transformation, ability to leverage other funds, ease of funding distribution, and funding flexibility). Following the presentation, the Task Force amended the first draft funding recommendations for the Subpanel to further develop.
6. **Heard public testimony on draft recommendations:** Over two meetings, the Task Force heard from members of the public on each of the draft funding recommendations.
7. **Considered the Governor's affordable housing priorities:** After the release of the Governor's State Budget Proposal, members of the executive branch presented affordable housing related budget priorities with the Task Force. These were considered in the context of the funding recommendations developed by the Subpanel.
8. **Deliberated on the second draft recommendations from the Subpanel:** Considering the feedback from the Task Force on the first draft of funding recommendations, the

Subpanel revised the package and presented the second draft of funding recommendations to the Task Force during their meeting on November 30. Similar to the first draft, this presentation included the full text of each recommendation, recommended funding ranges, and an evaluation of how the revised recommendations addressed the priority areas and other criteria.

9. **Voted on the content of funding recommendations:** In the same meeting, the Task Force debated and voted on the content of the second draft of funding recommendations. This final funding package combined Subpanel recommendations and Governor’s Office budget requests.
10. **Considered impact metrics:** Metrics were developed based on historic data to provide rough estimates per recommendation for how many affordable housing units might be created, preserved, stabilized, or maintained.
11. **Voted on allocations for funding recommendations:** After considering the impact estimates, the Task Force discussed and voted on final funding allocations for each of the recommendations moved forward by vote during the previous meeting.
12. **Considered the Guidelines for Funding Distribution and Policy recommendations from the Subpanel:** Once a funding package had been finalized, the Task Force considered both guidelines for agencies administering ARPA funds and policy recommendations and ideas developed by the Subpanel.
13. **Voted to approve a concept draft of the report:** In their final meeting, the Task Force reviewed and voted to approve a draft of the report in concept by vote.

The Subpanel

The Subpanel was comprised of 15 members representing various organizations and geographies, and with a breadth of affordable housing expertise and experience (See Appendix XX for full list). They met 13 times from September 1 through December 15, 2021, to develop funding and policy recommendations for consideration by the Task Force (Figure XX).

Developing Funding Recommendations

The Subpanel underwent a structured and deliberative process to arrive at their final set of recommendations for Task Force consideration. Beginning with the foundational framework developed during their first two meetings (detail in Introduction), the Subpanel completed the following:

1. **Refined the four Priority Areas:** After identifying the four priority areas of Expand Capacity, Stabilize Existing Affordable Housing, Strengthen the Safety Net, and Ensure Equity and Access in their first two meetings, the Subpanel further refined them by defining what transformational change would look like for each, and important policy and funding areas the priority areas could address. These fleshed out Priority Areas that were presented to the Task Force for feedback and discussion during a joint meeting on September 21, 2021.

2. **Received Task Force feedback on Priority Areas:** Feedback from the Task Force largely supported the direction the Subpanel identified for the four strategic priority areas, with some important new additions and considerations for each.
3. **Generated specific policy and funding ideas:** During their fourth meeting, Subpanel members generated specific funding and policy ideas via survey (policy discussed in following section). The Subpanel Chair and Vice Chair, with support from Wellstone, compiled and organized the ideas into categories for discussion and prioritization in future meetings.
4. **Prioritized recommendations:** The Subpanel used virtual “dot” polling, to assist the subpanel in prioritizing ideas generated via member and public surveys. The highest-priority categories for each Priority Area were identified and taken for further discussion. As funding recommendations were the primary focus of the Subpanel, per a request from the Task Force Chair, policy recommendations were considered near the end of the process (see the following section for details on Policy).
5. **Identified strategies, questions, and concerns about prioritized recommendations:** After prioritizing, Subpanel members further refined high-priority categories with the goal of providing workgroups a clear starting point developed by the entire group. While workgroups were soon after deemed unnecessary for this process, the information generated about key strategies to develop, additional details to include, and questions and concerns related to each category were useful in drafting the first set of funding recommendations.
6. **Reviewed drafted recommendations:** The Subpanel Chair and Vice Chair drafted an initial set of funding recommendations based on previous discussions and prioritization. The Subpanel discussed each recommendation in detail during their seventh meeting, with a focus on whether the list fully and accurately captured the breadth of prioritized recommendation ideas, the problem each recommendation was striving to address and the intended impact, the extent to which recommendations could make a transformational difference for Coloradans experiencing housing insecurity, and whether they successfully responded to the mandate of the Subpanel.
7. **Identified how draft recommendations align with priorities and criteria:** Using a portfolio tool developed by Wellstone, Subpanel members had the opportunity to anonymously rank how each recommendation met the four priority areas and four additional criteria (potential for transformation, ability to leverage other funds, ease of funding distribution, and funding flexibility), identify a percentage of ARPA funds they would like to go to each recommendation, and describe any justifications or concerns (Tool in Appendix XX?). All Subpanel members participated, and individual results were compiled and summarized in the tool for discussion.
8. **Prepared first draft package of funding recommendations:** Subpanel members had an opportunity to discuss the results of the Portfolio Tool, including whether there were concerns about the funding ranges or criteria/priority alignment, pros and cons per recommendation, and any justifications to move lower ranked recommendations up.

The Subpanel discussed at length the most effective way to present these results to the Task Force before the document was finalized (see Appendix XX).

9. Presented first draft package of funding recommendations to the Task Force:

Subpanel members supported the Chair and Vice Chair in presenting the first package of recommendations to the Task Force.

10. Reviewed Task Force feedback on first draft package and prepared a second draft:

After receiving feedback from the Task Force and considering the input from the public received via the Public Input Survey, Subpanel members refined and streamlined a second funding recommendation package, similar to step 6, and completed a second Portfolio Tool to evaluate the rewritten recommendations in the same fashion as step 7. This second draft package of funding recommendations was the final product of the Subpanel's deliberations, and was transmitted to the Task Force for deliberation, voting, and funding allocation. It passed the consensus minus one threshold.

Developing Policy Recommendations

In addition to funding recommendations, the Subpanel considered various policies to address Colorado's housing crisis. After developing the second and final funding recommendation package, the Subpanel:

- 1. Discussed funding-related policy considerations:** Using previously prioritized policy ideas generated in steps 3 and 4 of the above *Developing Funding Recommendations* section, Subpanel members identified the most important policy ideas to elevate for Task Force consideration related to funding. After identifying considerations for each policy idea, the Subpanel approved a set of funding-related policy considerations for administering agencies (found in *Guidelines for Funding Distribution*).
- 2. Discussed non-funding related policy ideas:** In addition to funding-related policies, the Subpanel deliberated on non-funding related policies elevated from previous discussions via survey. The group came to consensus on [XX number] of non-funding related policy ideas, and discussed several others without coming to consensus. The Task Force was provided a summary of each non-funding-related policy idea discussed by the Subpanel for their consideration. In their final meeting, the Subpanel took Task Force feedback and continued discussion on a handful of the ideas that didn't reach consensus to see if the group could find common ground. Results of this discussion were shared with the Task Force at their final meeting for consideration.

Public Input Survey

After establishing the four Strategic Priority Areas and receiving Subpanel and Task Force feedback on them, Task Force and Subpanel leadership agreed upon the need to solicit feedback from the public. A public input survey instrument was developed by Wellstone and the Subpanel Chair and Vice Chair, received feedback from Subpanel members, and was deployed and active from September 29 through October 11, 2021. The survey was disseminated by

Subpanel and Task Force members to their own networks, by the Legislative Council Staff on social media and the Colorado Legislative Website, and ____.

The primary objective of the survey was to understand the extent to which the public supported each of the four priority areas, how they prioritized the tactics within each priority area, and whether anything critical was missing that the Subpanel and Task Force should consider. During the 13 days it was active, the survey received 715 responses from 46 of the 64 counties in Colorado. Quantitative and qualitative data was analyzed by Wellstone with volunteer support from Lorel Holsinger, and was presented to the Subpanel and Task Force by Wellstone (see Appendix C).

While the survey provided the Subpanel and Task Force with important information about the strategic priority areas and aspects of the housing crisis that should be focal points, there were a handful of limitations as well. First, because the survey was developed and deployed during, rather than prior to, the AHTTF process, it was more effective at confirming existing ideas rather than generating new ideas. Second, respondents were more likely to be those individuals already involved in housing issues in Colorado due to how the survey was disseminated via existing networks, meaning that individuals with lived experience, non-English speakers/readers, and those not connected to existing housing networks may have been underrepresented. Lastly, there were critiques from Subpanel members that the survey contained too much jargon and technical language, which could have further marginalized those same individuals as before.

Public Comment and Testimony

During their November 10 and 30 meetings, the Task Force heard public testimony concerning the draft funding recommendations under consideration.. In total, the Task Force heard from [XX number] of individuals for [XX hours] of testimony. In addition to in-meeting testimony, members of the public also had the opportunity to submit letters and documents to the Task Force via the legislative website. The Task Force received [XX number] submissions.

Conclusion

The final package of recommendations approved by the Affordable Housing Transformational Task Force are expected to result in a significant increase in affordable housing in Colorado over the next several years, with revolving loan fund dollars continuing to feed Colorado's affordable housing needs. The flexibility and opportunity to match ARPA funds with local dollars will open pathways for even the most challenging housing projects to break ground and support communities across the state. For the many thousands of Coloradans who struggle to find and stay in safe and affordable living accommodations, these recommendations will make a difference. Members of the Task Force from both the General Assembly and Executive Branch agencies are broadly united in taking these critical steps to meeting this need.

This overwhelming level of agreement resulted from a unique process conducted and led by Colorado's General Assembly. It demonstrated that a professionally facilitated legislative task force made up of legislative and executive branch members and guided by experts can be a powerful mechanism to build broad consensus and understanding, as it did during this Affordable Housing Transformational Task Force process.

It is with great appreciation of the approximately 1,000 hours of time by task force members and volunteer subpanel members that these recommendations are submitted to the legislative Executive Committee and Governor Polis.

APPENDIX A. Subpanel Documents

[Transmittal Letter #1](#) (9/20)

Transmittal Letter #2 (10/27) or presentation slides

[Transmittal Letter #3](#) (11/10)

[Transmittal Letter #4](#) (12/2)

Transmittal Letter #5 (1/6, still forthcoming)

[Portfolio Tool #1](#)

[Portfolio Tool #2](#)

APPENDIX B. Task Force and Subpanel Membership

APPENDIX C. Public Input Survey

- Public survey, additional data, survey tool

APPENDIX D. Governor's Budget Priorities

APPENDIX E.

- Reports from various agencies, SHWG report?
- Anything else for the appendices?